



ANNUAL  
REPORT

1965



JAN 17 1966

The President and Directors of  
**DENISON MINES LIMITED**  
are pleased to present the  
Annual Report to Shareholders  
for the year ended  
December 31, 1965



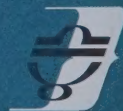
# Denison Mines Limited

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

## OFFICERS AND DIRECTORS

**OFFICERS** STEPHEN B. ROMAN, K.C.S.G., *Chairman and President*  
JOHN KOSTUIK, B.Sc., *Vice-President and General Manager*  
JEAN BODSON, *Vice-President European Division*  
E. B. MCCONKEY, C.A., *Vice-President Finance and Treasurer*  
J. G. PICKARD, *Vice-President Industrial Division*  
JOHN C. PUHKY, *Secretary*  
A. F. RISSO, *Comptroller*

**DIRECTORS** J. WILSON BERRY  
JEAN BODSON  
The Hon. GEORGE A. DREW, P.C., Q.C., LL.D.  
F. H. JOWSEY  
JOHN KOSTUIK, B.Sc.  
LOUIS R. PERINI  
JOHN C. PUHKY  
STEPHEN B. ROMAN, K.C.S.G.  
A. W. STOLLERY, B.Sc.  
The Hon. HARRY A. WILLIS, Q.C.  
B. E. WILLOUGHBY



SOLICITORS Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, Ontario

AUDITORS Eddis & Associates, Toronto, Ontario

BANKERS The Royal Bank of Canada, Toronto, Ontario

REGISTRAR AND TRANSFER AGENT Guaranty Trust Company of Canada, Toronto, Ontario; Montreal, P.Q.

HEAD OFFICE 4 King Street West, Toronto, Ontario

MINE OFFICE Elliot Lake, Ontario

DENISON MINES (EUROPEAN) LIMITED Paris, France

*Avis: Vous pouvez obtenir ce rapport en français, si vous le désirez.*

*Executive Staff and Plant Locations of*

**Lake Ontario Cement Limited**

*a Subsidiary Company*

OFFICERS AND EXECUTIVES

The Honourable GEORGE A. DREW, P.C., Q.C., LL.D., *Chairman of the Board*

J. G. PICKARD, *Vice-Chairman of the Board*

R. D. MACLEAN, *President and General Manager*

R. J. REYNOLDS, *Vice-President and Secretary-Treasurer*

J. D. FOWLER, *Vice-President—Planning and Development*

R. C. MILLER, *Vice-President—Sales*

C. A. GIBBS, *Assistant Treasurer*

R. P. SUTHERLAND, *Assistant Secretary*

C. W. FOX, *Works Manager*

WHOLLY OWNED SUBSIDIARIES  
*of Lake Ontario  
Cement Limited*

ROCHESTER PORTLAND CEMENT CORP.,

361 Boxart Street, Rochester 12, N.Y.

W. H. JAGELS, *President and General Manager*

H. G. GEORGE, *Sales Manager*

*Divisions*

Mohawk Valley Cement Company, Rome, New York

Cayuga Cement Company, Ithaca, New York

PREMIER BUILDING MATERIALS LIMITED,

55 Eglinton Avenue East, Toronto 12, Ontario

R. T. COSBURN, *President and General Manager*

C. B. ROWNTREE, *General Sales Manager*

C. STEEL, *Operations Manager*

Ready-Mix Plants—Basin Street, Toro Road, Dixie Road, Kennedy Road and Woodbridge in Metropolitan Toronto and at Hamilton and Alton, Ontario

Sand and Gravel Pit—Alton, Ontario

Building Materials—Kennedy Road and Woodbridge in Metropolitan Toronto

RYAN BUILDERS SUPPLIES (WINDSOR) LIMITED,

210 Detroit Street, Windsor, Ontario

J. L. RYAN, *Vice-President and General Manager*

C. F. MARTIN, *Assistant Treasurer*

Ready-Mix, Concrete Block, Prestressed and Precast Concrete Shapes and Builders Supplies

AFFILIATED COMPANY

PRIMEAU ARGO BLOCK CO., LIMITED,

Brockport Road at Belfield, Rexdale, Ontario

A. J. PRIMEAU, *President*

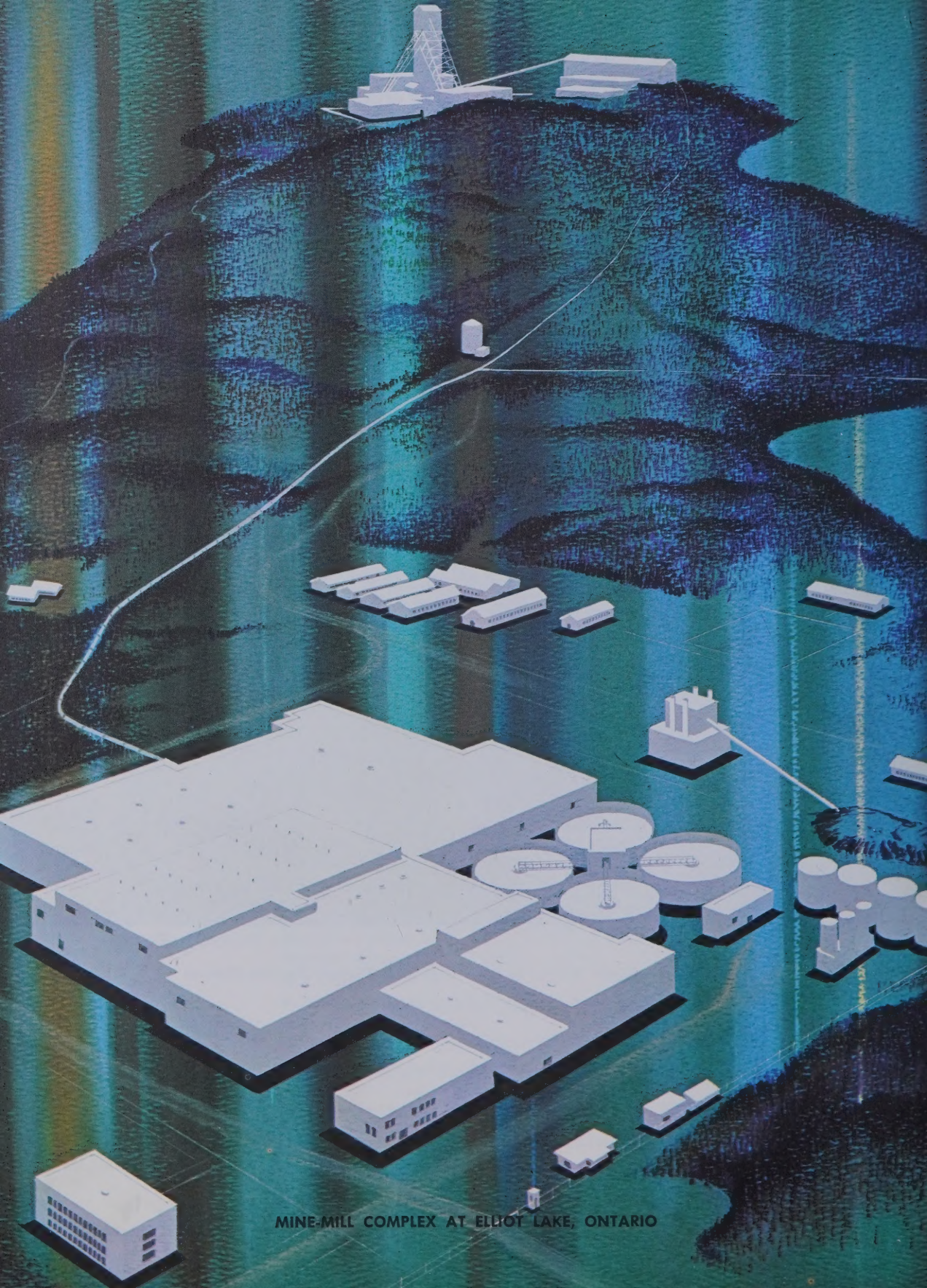
R. H. GRIMM, *Executive Vice-President and General Manager*

W. A. PRIMEAU, *Vice-President and Operations Manager*

W. C. COUPLAND, *Secretary-Treasurer*

Concrete Block Manufacturing Plants—Cooksville, Scarborough, Pickering, and Weston, in Metropolitan Toronto

Natural Stone Quarry—Georgetown, Ontario



MINE-MILL COMPLEX AT ELLIOT LAKE, ONTARIO

# President's Report

To the Shareholders:—

It is with great pleasure that I submit the annual report of your Company for the year ended December 31, 1965. The year was marked by internal reorganization and strengthening of your Company's position to achieve the objectives projected for the future.

The highlight of the year was your Company's effort to negotiate a long-term contract for the sale of uranium to France. The result of this initiative was renewed Canadian Government interest in uranium and a contract for your Company to deliver 15,000,000 lbs. of uranium oxide over a five year period. Thus 1965 was a real turning point in the uranium industry.

Your Directors reflected their confidence in the immediate future of the industry and the strong earnings base which has resulted from our diversification efforts by declaring, in addition to the regular annual dividends of \$1.00, an extra 50¢ in dividends per share: 25¢ paid on December 15, 1965 and another 25¢ payable on January 21, 1966.

We are pleased to report that consolidated net profit rose this year to \$11,417,000 or \$2.55 per share, an increase of 61% in each case. Working capital at the end of the year stood at \$24,787,000. Total shareholders' equity rose again to \$67,625,000 after providing for \$33,536,835 in dividends over the last seven years.

Having built a diversified base of earnings and earnings potential to tide the Company over the short term oversupply condition in the uranium industry, your Company's management entered into extended negotiations with the French Commissariat à L'Energie Atomique towards a long term supply contract. Because of certain international commitments, the Canadian Government felt it necessary to deny your Company permission to export at the present time. However, the negotiations did result in Canadian Government realization of the great demand for our product. We believe that Government policy will evolve to allow us to export uranium to the nations of the world which have ambitious peaceful nuclear programs. The award of a 15,000,000 lb. Canadian Government contract for uranium oxide, to be delivered over five years at a price of \$4.90 per pound, was indeed a most important development for your Company. This contract was begun immediately after the completion of the 1,200,000 lb. contract for  $U_3O_8$  for delivery to Britain. Your Directors approved the use of \$762,967 in capital expenditures for the mine-mill complex at Elliot Lake to further improve its efficiency.

In Western Canada the Oil and Gas Division continued to show improvement. Your Company's production during the

year averaged 1,992 barrels per day of oil and 980 mcf. of gas. Income from these sources increased by 32.8% or \$339,000 to \$1,375,000 during the year on our investment of \$8,086,000. We expect that, even without additional acquisitions, the effect of prorationing on many of our producing wells will result in increased income in 1966.

Continued intensive construction activity in the areas served by Lake Ontario Cement Limited resulted in another



profitable year for it. Your Company owns 52.7% of this company and has consolidated its portion of the \$2,103,000 earnings. The completion of expanded capacity at a cost of \$6,600,000 has resulted in increasing the Picton plant productive capacity to 5,000,000 barrels a year.

Through the acquisition of Ryan Builders Supplies (Windsor) Limited, Lake Ontario Cement Limited expanded its marketing activities to the Windsor area.

Premier Building Materials Limited, a wholly owned subsidiary of Lake Ontario Cement, also expanded by construct-

ing a modern ready-mixed concrete plant in Hamilton, which now is in full operation. We expect further increases in our market share there in the ensuing year. Expansion of sales in the north-western portion of New York State caused Lake Ontario Cement to start engineering studies for a proposed cement manufacturing plant at Watertown, N.Y. Close liaison with the management of Lake Ontario Cement is maintained by a newly formed Industrial Division and Mr. James G. Pickard, formerly President of Lake Ontario Cement Limited, has been named Vice-President of this Division.

The Exploration activities of your Company were carefully reviewed and it was your management's decision to expand the Department in the Fall of 1965 under the capable direction of Mr. Roy Jure. Mr. Jure, who returned to Canada after many years in the United States with one of the largest American mining companies, has considerable world-wide experience in mineral exploration. A substantial program is planned for the 1966 field season to preliminarily evaluate the potential of the very extensive iron deposits staked in the Ungava area of Northern Quebec in 1965. Your Company intends to expand its exploration activities during the coming year and appropriations have been made to explore other attractive projects which are now under consideration.

Our association through investment in General Baking Company, New York, was terminated when your Company accepted an offer by an investment group for our holdings at \$12.50 U.S. per share. It was your Directors' decision to take an immediate profit on what had been intended as a long-term investment, because we could no longer see a substantially increasing net income accruing to the company under the conditions prevailing in that industry.

Due to the intensive demands placed on industrial property in the Toronto area, we accepted an offer to sell our interest in International Airport Industrial Park Limited at a profit. The Company also sold profitably 100 acres of land held for investment in Markham Township, Ontario. We continue to hold in our portfolio property, land and other assets held as security for our loans by our financing subsidiary Concord Finance.

The consolidation and expansion of your Company's operations and investments was complemented by the adoption of a divisional type of organization structure. As noted above, Mr. James G. Pickard, Vice-President, leads the Industrial Division. Mr. Jean Bodson, Vice-President, is in charge of Denison Mines (European) Limited. At the last Directors' Meeting, Mr. E. Bruce McConkey was appointed Vice-President — Finance. He remains Treasurer of the Company. Mr. Alfred F. Risso, who has been with the Company for many years, has been named Comptroller.

The activities of your Company have been centered around preparing it to meet the imminent upsurge of world demand for uranium for nuclear power — and to ensure that "Canada" and "uranium production" will be synonymous in the minds of consumers.

If we examine the history of development of any of the great nations of the world, we find that the prime requisite for improvement in the standard of living of a country is progress in productivity. To achieve productivity requires power and, therefore, the economies of the nations of the world can be measured by their power consumption per capita. As an illustration, world power consumption averages only 900 kilowatt hours per person. Europe consumes 2,280 and the United States 4,850 kilowatt-hours per person per annum.

The governments of the nations of Europe, fully cognizant of these facts, have embarked upon power expansion programs to raise their power output to meet the needs of their expanding economies. Assuming that the European nations will reach the 1963 consumption figure of the United States of 4,850 kilowatt-hours per person by equal additions of capacity per year over a ten-year period would be a conservative estimate for new demand. Because nuclear power is now economically competitive with that produced from fossil fuels, nuclear programs could easily account for 40% of this projected new European capacity. Calculated at the rate of consumption of the most recent Candu reactor, this would result in a total ten year demand for over 98,628,000 lbs. of uranium, and an annual consumption figure in the final year of 13,656,000 lbs. per year. To emphasize the conservative nature of these projections, I might quote Mr. Glenn Seaborg, Chairman of the U.S. Atomic Energy Commission. He has stated that nuclear power plants will furnish the needs of more than two million Americans by the end of 1966 and of sixty million by 1980.

Recognizing these facts and wishing to contribute to the development of a vigorous and effective European market for uranium, your Directors approved the formation of a European office located in Paris. Mr. Jean Bodson, a well-known French businessman who had been associated with your Company, was named Vice-President, placed in charge of Denison Mines (European) Limited and also elected a Director of your Company. In addition to development of European markets for Canadian uranium, he will devote himself to the development of a broad front of business opportunities for your Company.

It is quite clear from your Company's experience in negotiations with France and our discussions since with other European countries that a more realistic appraisal of uranium marketing is needed. Negative control through inspection by the selling nation is impractical. Canada is in a position to maintain its lead in the nuclear energy field by promoting in its bilateral agreements the positive concept of responsibility of the **purchasing** nation for the peaceful use of nuclear energy fuels which it buys from Canada or from any other nation.

National sovereignty and national pride — both sensitive and responsive areas for Canadians — would be recognized

by such agreements. Trust is the essential factor in peaceful agreements, no less than in those defence agreements which Canada has also entered into with many of the same European nations.

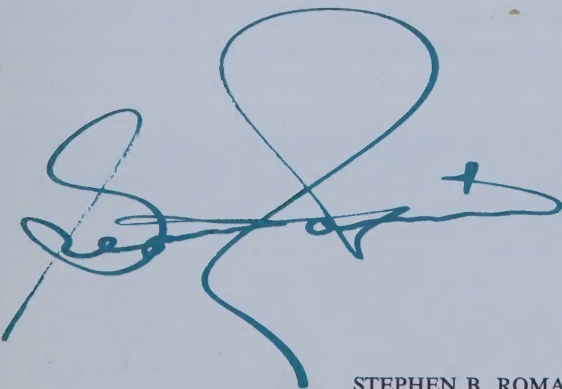
As many as half of the 15 major countries in Western Europe already have active nuclear power programs. To add to this number, even within one country there may be as many as thirty separate organizations as potential purchasers. It would simply be impractical for a country like Canada, large though its role is as an uranium producer, to man the required number of inspection teams, even if the issues of principle could be resolved. Thus Canadian policy should evolve towards the responsibility of the purchasing nation for the peaceful use of uranium.

I have commented on growing world recognition of the potential for nuclear power generation of electricity and the active programs of many nations. In fact, these have borne out the predictions which I have made in previous years.

Your Company remains optimistic for its future. We prospered through a period which was reputed to be bleak and dismal and during these years we were able to continue production at the Denison Mine and regular payment of dividends. As I have stated before, our pursuit of a sound, conservative and profitable diversification program, coupled with our growing profitability as a reliable and consistent supplier to the expanding world nuclear industry, will make your Company one of the major corporations in North America.

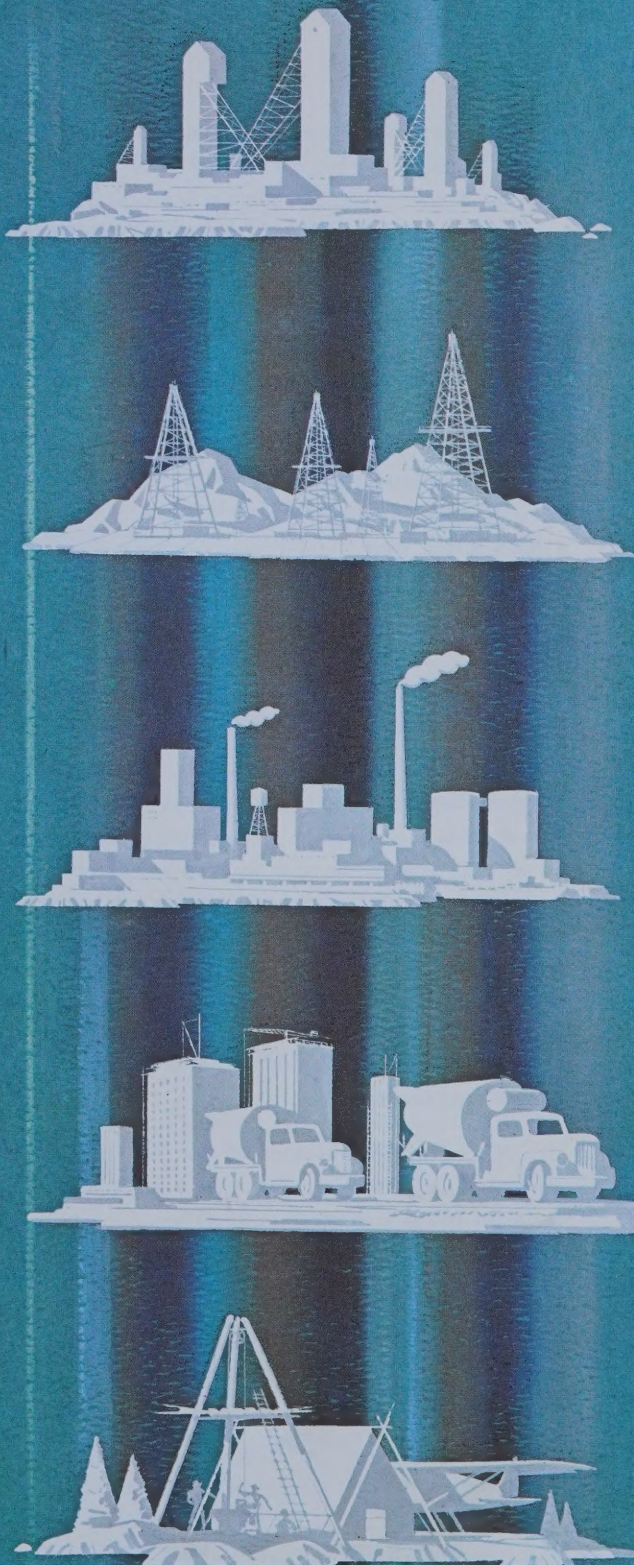
I owe a debt of gratitude to Mr. John Kostuik, our Vice-President and General Manager, our executive staff and all employees, whose loyalty and hard-working dedication have made your Company what it is today and whose continued efforts will assure its future. I feel certain that you as shareholders join me in thanking them for their efforts.

On behalf of your Board of Directors,



STEPHEN B. ROMAN,  
Chairman and President.

Toronto, Ontario,  
January 11, 1966.



# General Manager's Summary of Operations

The President and Directors,  
Denison Mines Limited,  
4 King Street West,  
Toronto 1, Ontario.

Gentlemen:—

The following report for the year 1965 is respectfully submitted for your consideration.

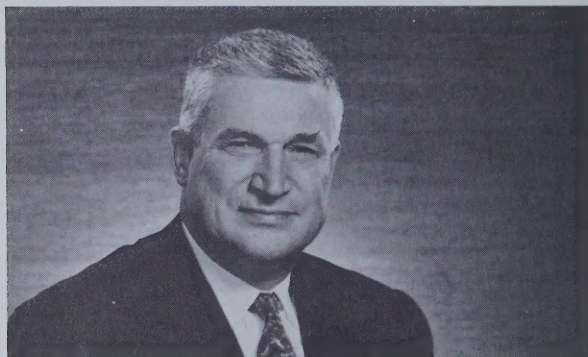
## Uranium Division —

A further curtailment of production was scheduled for the first part of the year to keep a balance between available manpower and our commitments under the terms of the remaining contract which was slated to expire on July 1, 1965. The welfare of the employees and the community of Elliot Lake, however, was never adversely affected by lay-offs during this period, the result of which served the Company well as it entered the phase of continued production.

A total of 889,391 tons of ore was treated for an average of 2,624 tons per day with a grade of 2.93 lbs.  $U_3O_8$  per ton at a recovery of 95.27%.

Construction is underway on a portion of a new leaching plant which will result in lowered operating costs. This stage is expected to be in operation by May, 1966.

A new three year agreement, which will remain in effect until November 30, 1968, was reached with the largest bargaining unit at the operation. Relations between the Company and its employees remained on the high plane which has been evidenced throughout the years.



During 1965, the rapidly increasing demand for electrical energy was translated into a very decided increase in orders for nuclear electric power plants. Today nuclear power has emerged from its experimental and expensive stage to a status of a reliable and competitive source of energy. The A.E.C. forecast for nuclear generating capacity forecast for 1980 to be 7% of the total has been revised to 17%. A Westinghouse study indicates that after 1969, 60% of the newly installed electrical generators will be nuclear. Euratom reports that the future of nuclear energy capacity in member countries will double every three years.

The first international symposium for water desalinization was held in October 1965 in Washington providing a forum in which representatives from all over the world were able to share the particular problems of their countries, their needs and technology. The A.E.C., the Department of the Interior and the Metropolitan Water Distribution of Southern California are completing engineering and economical studies of a dual-purpose plant that would generate up to 1,500,000 KWe while producing 150 million gallons of fresh water per day. Interim results from this study indicate power can be produced at about 3 to 4 mills per kw hour and fresh water at about 22¢ per thousand gallons at the plant site.

The main characteristics of nuclear power, particularly its lack of requirement for oxygen, make it particularly suitable for the investigation and, thus, mastery of the sea. The commercial aspects of oceanography

open vistas which extend beyond naval and maritime applications. Unattended generators are presently supplying adequate energy from radioisotopic sources. In addition to such sea-surface applications, generators have been applied successfully to scientific research to depths of 16,000 feet. Isotopic power devices are used on oil drilling platforms and other such units have provided power for search and identification of underwater objects, including minerals.

In the continuing Plowshare Program, a very strong probability exists that production from gas formations will be increased, with nuclear stimulation, to 90% of the gas content in a 20-year period, from 10% of the content with conventional methods in a similar period.

In addition, the atom has become a major power source for life-support systems in space-craft life, for space communication and for propulsion into extended space exploration.

#### **Black Hawk Mining Ltd. —**

Black Hawk Mining Ltd., a 44% owned associated company, is proceeding with the development of its mining properties in the State of Maine, U.S.A., through its wholly owned U.S. subsidiary, Black Hawk Corporation.

The construction of a permanent mining plant consisting of a headframe, steel frame and concrete block hoist and compressor building and a service building containing the service entrance to the shaft collar and enclosing the steel fabricated ore and waste bins was completed. The latter building also contains the mine operating, engineering, plant and accounting services.

Funds for the above and for the initial development program were provided by the sale to Denison Mines Limited of common shares and \$1,500,000 6½ % Secured Notes maturing December 31, 1965.

A three-compartment vertical shaft was carried to a depth of 698 feet from which stations were excavated at the 280, 380, 480, 580 and 680-foot horizons. Lateral work from the 380, 480 and 580-foot levels has progressed and yielded encouraging results. It will, however, require considerably more drifting, raising and diamond drilling before conclusive results can be obtained and a decision made on the size and type of concentrator required for the operation.

Financing of the additional development work was provided by the sale of common shares and \$2,100,000 6½ % Debentures to Denison Mines Limited. Part of the funds were employed to retire the \$1,500,000 in 6½ % Secured Notes.

I would like to take this opportunity to express my appreciation for the continued support of the President and the Board of Directors.

Respectfully submitted,

J. KOSTUIK  
Vice-President & General Manager

January 11, 1966,  
Toronto, Ontario.



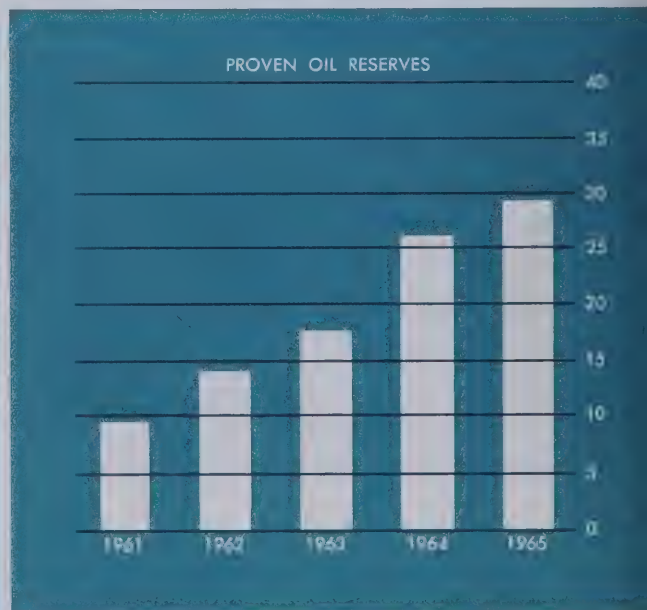
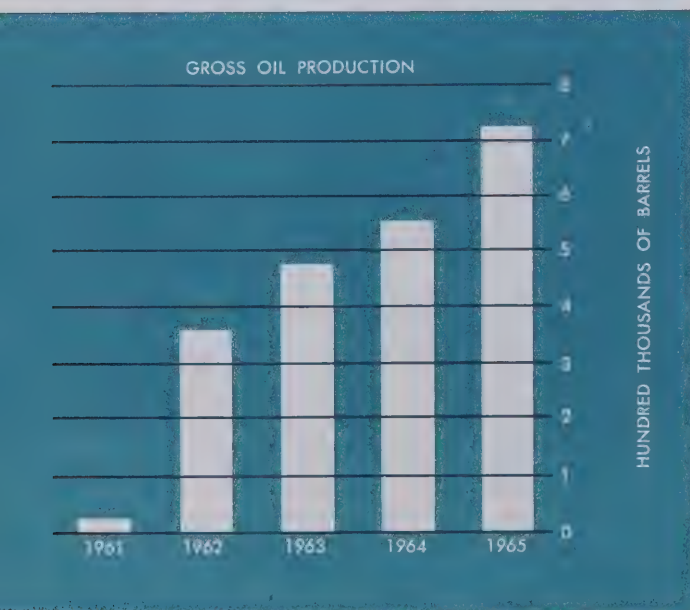
## Petroleum and Natural Gas Division



The Petroleum and Natural Gas Division continued to show excellent progress during the year. Proven reserves increased to 29 million barrels with total proven

natural resource industry now stands at \$8,086,000. Aggressive efforts will be made next year to increase our petroleum and natural gas assets. Five wholly owned wells were drilled, four being completed as oilwells in the Swan Hills Field and one as an oilwell in the Leafland Field.

During the year, producing wells at Gilby and Twining were unitized in order that more efficient oil recovery schemes could be instituted. In early 1966, 8 of your Company's wells will be unitized in two Units at Swan Hills, closely followed by commencement of enhanced waterflood recovery schemes. At the present time, 20 unitized wells and 6 non-unitized wells are operated in reservoirs that are subject to assisted recovery



and probable additional reserves increasing to 36.1 million barrels. Production was up substantially with revenue from the division reaching a new high of \$1,375,000. Our rate of oil and gas production ranks 16th in comparison to production of the independent Canadian producing companies. Our investment in this important

projects. In addition, 14.5 wholly owned oilwells and 1 gas well produce under primary depletion.

Gross oil produced totalled 727,200 barrels, up 166,900 barrels over 1964, for an increase of 30%, and an average daily production rate of 1,992 barrels.

Gross proven oil reserves increased 3,254,500 barrels or 13% during the year, to a total of 29,060,500 barrels. Total proven and probable additional gross recoverable oil reserves are now estimated to be 36,119,000 barrels.

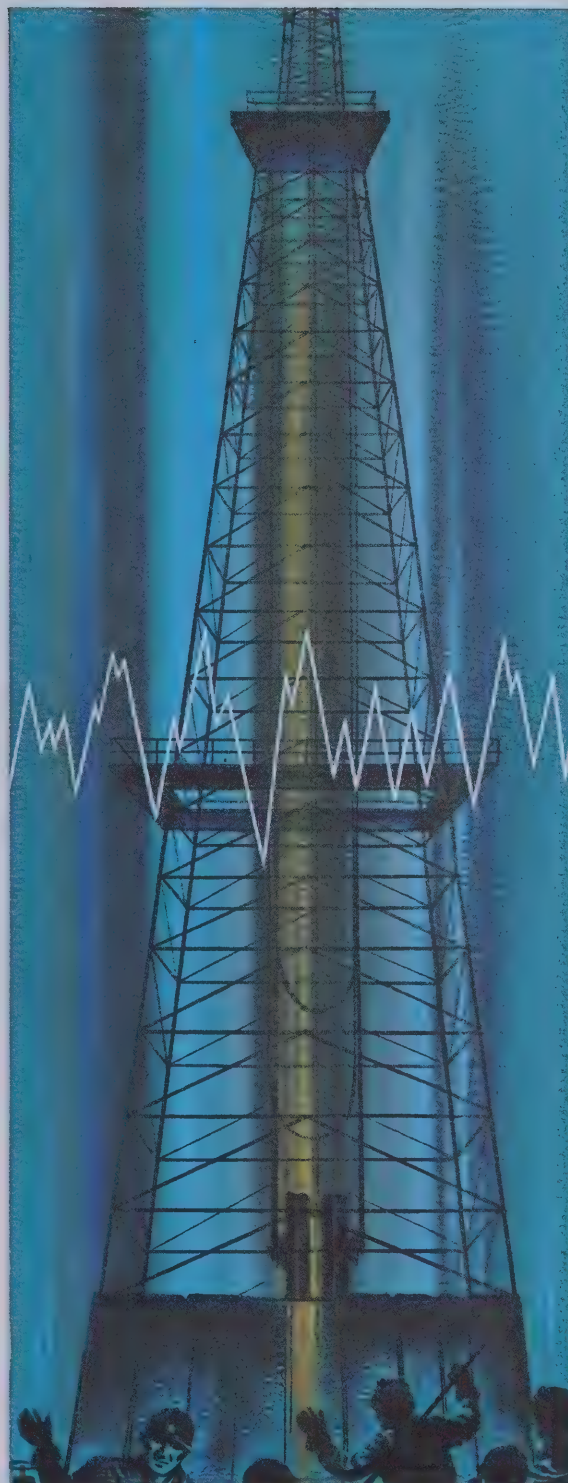
Disposable natural gas reserves declined to 21.33 B.C.F. owing to reservoir performance adjustment factors.

We believe definite revisions in the National Oil Policy should be made. Under this policy, a Canadian production target was not set for 1965 as had been done previously and there is no indication of any target for the ensuing year. We believe that the lack of any objective has slowed the growth of the industry in the last two years. A balanced economy needs a balanced supply of energy resources.

Canada has a productive capacity of over 1,600,000 barrels per day, yet our country continues to import over 200,000 net barrels per day at an annual cost of U.S. \$210,000,000. This outflow of revenue contributes substantially to our balance of payments deficit. If the 200,000 barrels per day were produced in Canada, not only would our payment deficit be substantially reduced but, through the multiplier effect, the impact on the Canadian people and the Canadian economy would be very substantial.

The Federal Government should restore the principles embodied in the National Oil Policy and set a date at which production and consumption of Canadian oil will be at least in balance.

A program of greater activity for this division is planned, with a view to acquiring producing assets and selected acreage in both Canada and other attractive areas.



## Industrial Division



Lake Ontario Cement Limited's growth continues to be reflected in progressively increased sales and earnings. For the twelve months ended December 31, 1965, profits were \$2,103,000, up 22% over the results of the comparable twelve months in 1964. Shipments to customers likewise increased 27% from \$14,800,000 to \$18,800,000 in the same period.

The Company has been able to accomplish the major portion of the expansion of the Picton plant to reach a productive capacity of 5,000,000 barrels of cement per annum, the re-equipping of Premier's Alton pit, the addition of a new ready-mix concrete operation in Hamilton, Ontario and the acquisition of Ryan Builders Supplies (Windsor) Limited out of internally generated funds rather than by additional long-term debt or bank accommodation.

Lake Ontario Cement is continuing to expand and broaden its base of operations with the completion of new storage facilities in Toronto, the constructing of additional dock silos at Picton and the awarding of a contract for a new distribution centre at Windsor, Ontario. A new lake ship with 55% greater capacity for the transfer of bulk cement to our distribution depots is being outfitted and will be in service for the start of the 1966 shipping season.

Studies relating to the construction of a new cement plant near Watertown, N.Y. on Lake Ontario have continued through 1965, and a preliminary engineering contract has been placed with a noted engineering consulting firm for completion in early 1966. Submission of this report will permit further decisions to be made relative to detailed engineering, construction and financing.

Premier Building Materials Limited has greatly improved its functional operations by the upgrading of



its five strategically located ready-mix plants in Metropolitan Toronto with new conveying systems and automatic batching equipment, the opening of a new ready-mix operation in Hamilton, Ontario, and the adding of radial stock piling and washing facilities at its Alton sand and gravel pit. This plant now is capable of producing one million tons of water washed sand and gravel annually.

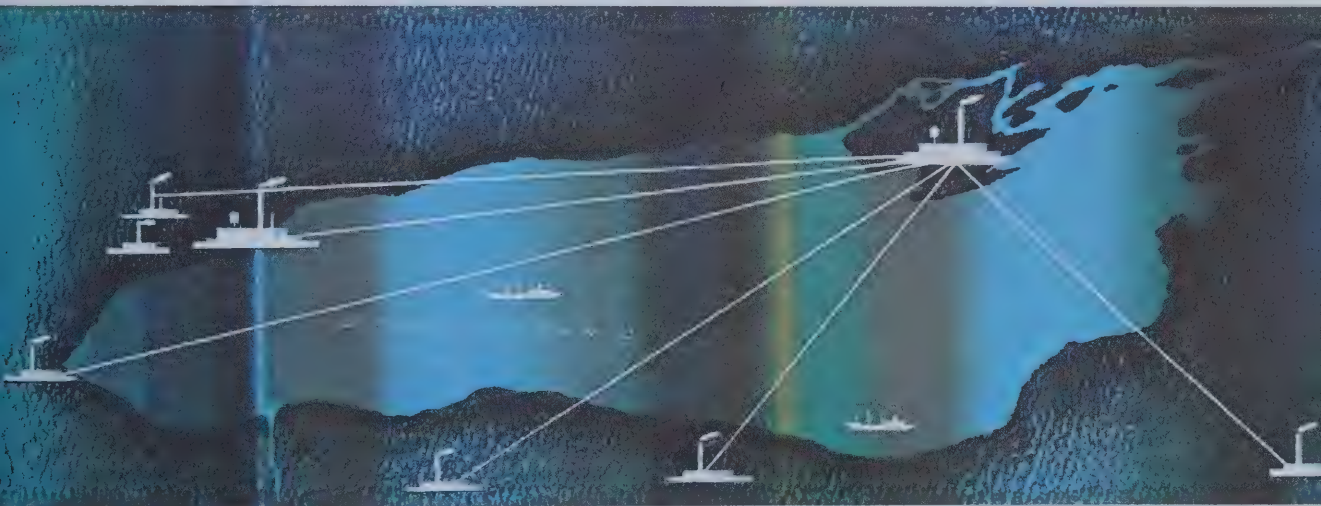
The builders' supply division with the opening of a new west end warehouse has become one of the largest distributors of builders supplies in the Toronto market.

Ryan Builders Supplies (Windsor) Limited is the major manufacturer of autoclaved concrete block, ready mixed concrete and pre-stressed concrete structural members and distributes building supplies in the Windsor, Ontario, area. The completion of cement storage silos slated for June, 1966 at the Ryan site located on the Detroit River served by ships from the Picton plant will enable Lake Ontario Cement to better serve its customers

the Cooksville, Scarboro and Pickering divisions. These plants all have autoclave curing facilities and produce high pressure-cured concrete and Haydite block for architecturally designed projects.

The greater efficiencies from our past production expansion in the above-named companies, together with the forecast increased activity in our market areas, should make 1966 a banner year.

Your Company sold its 65% interest in the industrial park land adjacent to the Toronto International



throughout South Western Ontario as well as enhance the overall picture of the Ryan Company.

Primeau Argo Block Company Limited, the largest block producer in Canada with its four operating plants, has shown a substantial increase in production and sales in 1965. Automation efficiencies plus quality control started in 1965 should be fully realized in early 1966 at

Airport as well as a 100 acre parcel fronting on Woodbine Avenue. Both of these sales contributed a satisfactory profit. The 50% interest in Denhay Holdings Limited, which owns 400 acres at Oakville, Ontario, has been retained with planning and engineering studies for development underway. Other possible acquisitions are being investigated at the present time.

## Exploration Division



The Exploration Division with its main office in Toronto and field offices in Northern Ontario, the State of Maine and Ireland continued to maintain close contact with the exploration industry on a broad geographic and mineral commodity basis. While activities during the year were mainly directed towards Ontario and Quebec in Eastern Canada, New England and Ireland, examinations and studies of mineral prospects were also undertaken in British Columbia and other parts of Canada and the United States, as well as in a number of other countries.

During the summer, a block of 1500 claims was staked in Northern Quebec to cover an area containing major showings of iron formation with a potential for very large reserves of recoverable iron. Systematic study of the deposits and their metallurgy remains to be carried out. A limited number of preliminary samples from this extensive area indicated grades between 36% and 51% iron, with 80% of the soluble iron as magnetite. Every indication shows that a high-grade concentrate containing 69% soluble iron can be expected.

Our field staff carried out programs that included geological mapping, geophysical surveys and diamond drilling on a number of prospects in Northern Ontario and Quebec. A limited amount of diamond drilling was done on the Lakehead Mines Limited group in the Marathon

area. This group and another in the Quetico Park area belonging to Lakehead are being retained for future consideration.

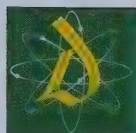
Our investigation of mineral occurrences in the New England area of the U.S., which included drilling on two properties, continued from our exploration office located at Blue Hill, Maine.

In Ireland as a result of geochemical and geophysical reconnaissance one prospecting license was taken up on behalf of Denison and one by our associate, Argosy Mining Corporation. Both these license areas are now undergoing further investigation.

Denison is participating with Dome Mines Limited, McIntyre Porcupine Mines Limited, Canadian Nickel Company Limited and Frobex Limited in Coranex Limited which is carrying out a substantial exploration program in British Columbia and the Yukon.

During 1966 it is planned to further intensify and expand our exploration program on a wide geographic and mineral commodity basis. While emphasis will primarily be on Canada, opportunities of merit in the United States, Ireland and other Free World countries with favourable operating climates will be given consideration.

# Mine Manager's Report

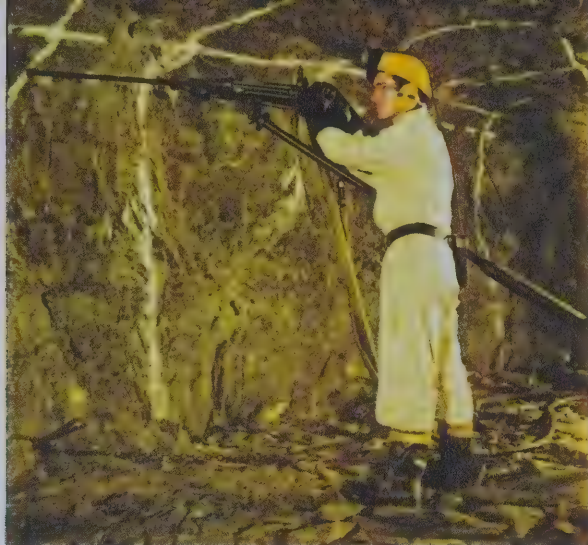


The Vice-President and General Manager,  
Denison Mines Limited,  
4 King Street West,  
Toronto 1, Ontario.

The following summary outlines the main activities at the uranium operation of Denison Mines Limited, in Elliot Lake, during the fiscal year ended December 31, 1965.

## Mining —

Mining was concentrated in the northeast and southwest sections of the No. 1 Shaft area. Emphasis was maintained during the year on the overall development of the mine to the east, which will be served by the



Collaring a hole for production.

accessways and conveyorways of the Axis "B" system. This will provide a new block of ore from which production is scheduled to commence in 1967. An interconnecting roadway between the two shafts is being driven to service the eastern area and will provide an alternate and more direct route to the one presently being used in the western section.

Provisions for the overall, and increased capacity, ventilation program for the underground were accelerated

SUMMARY OF PRODUCTION	1962	1963	1964	1965
Tons of ore broken .....	1,808,011	1,661,397	1,232,742	874,544
Tons milled .....	1,828,993*	1,586,600	1,275,384	889,391*
Average tons milled per day .....	5,680	4,444	3,573	2,624
Percent Recovery .....	93.11	94.72	95.57	95.27
Pounds of U <sub>3</sub> O <sub>8</sub> Produced .....	4,844,259	5,078,760	3,950,364	2,561,164
Average pounds of U <sub>3</sub> O <sub>8</sub> per ton .....	2.88	3.34	3.14	2.93

\* Plant shut down for annual vacation.

during the year. The 1,200 ft. long inclined 300-square foot drive to the Puhky Island breakthrough raise to surface was completed and the raise was benched down to a completed size of sixteen feet square. An emergency aluminum escapeway was provided in one corner of the raise and a ladderway services the incline. A 144-inch, 500,000 c.f.m. fan was installed in a room off the main airway which will remove the air from the workings through an arterial network of vitiated airways. To provide for this extra capacity, fans were relocated to reverse the air flow in No. 1 shaft and openings to it were enlarged and isolated. A new propane gas-fired 16,000,000 b.t.u. heating plant was installed on surface at this location to control the temperature of the air under winter conditions. This is the first major installation of this type to be applied in the mining industry in Ontario.

A total of 884,527 tons of ore was hoisted; 813,966 tons from No. 1 Shaft, and the remainder from the No. 2 opening. Total heading advance amounted to 24,738 lineal feet. The overall development and servicing program to maintain accessible ore reserves was continued. A total of 49,931 tons of waste was broken from all the various development headings being driven. The average grade of the ore mined was 2.93 pounds of  $U_3O_8$  per ton, and is consistent with the projected grade for the areas being worked.

The mining industry here, as elsewhere, suffers from a lack of skilled manpower especially in the miner and tradesman classifications. A training program has now been instituted at the operation for miners, which is a first in the industry. The venture is jointly sponsored with the Ontario Department of Labour under the Federal Government's Program No. 4 — Training in Cooperation with Industry. In a period of a year it is planned that we will graduate over 140 qualified miners by this scheme.

#### **Milling —**

A total of 889,391 dry tons of ore was processed for a daily average of 2,624 tons, compared to 3,573 tons per day treated in 1964. Recovery remained high at 95.27% which compares favourably with 95.57% experienced last year.

Research is being carried out on various phases of the metallurgy of Denison ore, with particular emphasis on the long term outlook.

#### **Safety —**

Unrelenting efforts were continued to maintain high standards in production with safety which again resulted in having the best safety record in the area.

One of the two mine rescue teams entered into the District Competition, won the area honors and went on to become the All-Ontario Champions in Mine Rescue.

#### **Employees and Community —**

The Denison scholarships, which are made available to the local High School graduates, were awarded this year to the sons and daughters of Denison employees.

The "Nucleus", which bi-monthly publishes the activities of the employees, the Company and the community, maintained a high interest in an even larger circle.

#### **Acknowledgments —**

The loyalty and effort shown by the department heads, their staff and employees is greatly appreciated. In particular I would have to bring to your attention the contribution of Mr. F. C. Lendrum, Mill Superintendent; Mr. D. Laschuk, Chief Engineer; Mr. N. E. Gillick, Master Mechanic; Mr. A. Russell, Electrical Superintendent; Mr. J. P. Reszel, Mine Accountant; Mr. E. W. Williams, Purchasing Agent; Mr. C. B. Banks, Personnel Manager; Mr. G. H. Ray, General Mine Foreman; Mr. R. J. Gunning, Mine Geologist and Mr. G. F. Napier, Safety Director.

The understanding and appreciation shown by the Officers of the Company is gratefully acknowledged.

Respectfully submitted,

M. J. de BASTIANI,  
Mine Manager.

January 10, 1966.

# HIGHLIGHTS FOR THE YEAR ENDED DECEMBER THE THIRTY FIRST NINETEEN SIXTY FIVE

## FINANCIAL SUMMARY

Net Profit	\$11,417,000
Net per Share	\$ 2.55
Working Capital	\$24,787,000
Shareholders' Equity	\$67,625,000

## OPERATING SUMMARY

Pounds U <sub>3</sub> O <sub>8</sub> Produced	2,561,164
Average Grade (Lbs. U <sub>3</sub> O <sub>8</sub> per ton)	2.93
Percent Recovery	95.27

## EQUITY PER SHARE

1950	1960	1961	1962	1963	1964	1965
\$6.91	\$9.26	\$11.30	\$12.53	\$13.50	\$14.06	\$15.11

## Other Investments

During the year our investments were adjusted on a continuing basis to place emphasis where growth in earnings appeared to be strong. This year marked the completion of many of the initial phases for Midepsa Industries Limited.

On May 28, 1965, a contract between the Republic of Peru and Minera Bayovar, the associated company of Midepsa Industries Limited, was concluded. The terms of reference for the operation of Minera include a tax formula, authority for the operation of a port and other fiscal and operating aspects of the project. On October



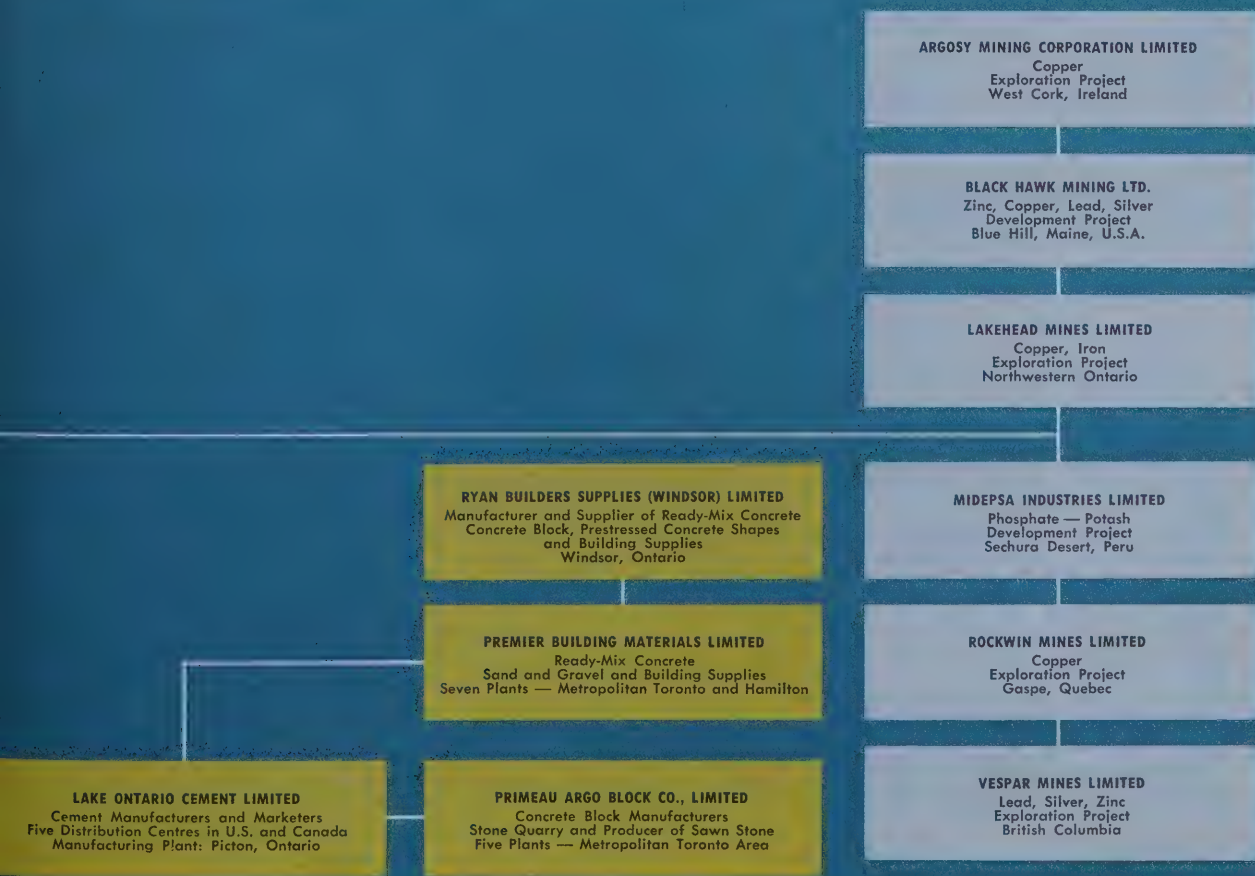
ABOVE IS A CHART SHOWING THE MAJOR SUBSIDIARIES, ASS

27, 1965, Midepsa announced that the port facilities, power plant works and main evaporating pond system for the recovery of potash from brines were under concurrent construction.

The Peruvian deposit, which contains the largest reserves of phosphate concentrates in the world, exceeds 600,000,000 tons calculated at 31%  $P_2O_5$ . The ratio of overburden to ore at 75% of the blocked reserves is less than 1:10, ideally amenable to wheel excavators, one of which is presently at the property. In addition, the

deposit contains rich deposits of saturated brines in reservoirs just below the surface. These brines are rich in potassium, natural salt, magnesium chloride and bromine. World demand for fertilizer products is rapidly increasing and the future success of your Company's retained interest in this project is assured.

Your Company's wholly owned subsidiary, Concord Finance made investments in loans on a short term basis fully secured by mortgage covenants on real estate and other assets.



## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1965

Profit before items shown below		\$ 5,563,316
Revenue from investments		4,552,346
Profit on sales of land		<u>810,999</u>
<b>Deduct</b>		10,926,661
Directors' fees	\$ 30,625	
Provision for Ontario mining tax	60,000	
Provision for depreciation and depletion	<u>509,472</u>	<u>600,097</u>
		10,326,564
Share of net earnings of an unconsolidated subsidiary		1,090,674
Net profit for the year		<u><u>\$11,417,238</u></u>

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1965

Balance at January 1, 1965	\$54,855,075
Net profit for the year	<u>11,417,238</u>
	66,272,313
Dividends	<u>6,712,055</u>
Balance at December 31, 1965	<u><u>\$59,560,258</u></u>

## AUDITORS' REPORT




To the Shareholders,  
Denison Mines Limited.

We have examined the consolidated balance sheet of Denison Mines Limited as at December 31, 1965 and the consolidated statements of operations and earned surplus for the year ended on that date. Our examination of the financial statements of Denison Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of operations and earned surplus present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDDIS & ASSOCIATES,  
Chartered Accountants.

Toronto, Canada,  
January 11, 1966.



# DENISON MINES LIMITED

AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1965

### ASSETS

#### Current Assets

Cash in banks .....	\$2,099,164	
Short term notes .....	9,361,109	
Marketable securities — at or below cost (quoted market value \$10,226,593) ..	9,042,517	
Accounts receivable including concentrate settlements .....	1,912,759	
Supplies and prepaid expenses .....	858,069	
Mortgages and other secured loans including \$200,000 from an unconsolidated subsidiary .....	4,401,205	\$27,674,823

#### Investment in Other Companies — at cost

Shares (including shares costing \$5,100,010 with a quoted market value of \$8,754,298) .....	\$5,247,817	
Bonds and debentures .....	3,742,500	8,990,317

Mortgages and Other Secured Loans, not including amounts shown above .....		9,490,139
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#### Investment in Unconsolidated Subsidiary

Shares (costing \$5,541,683 with a quoted market value of \$14,228,047) .....	\$7,624,252	
Secured note .....	600,000	8,224,252

Concentrates held for sale — at cost .....		3,947,973
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Property, Plant and Equipment at cost less accumulated depreciation and depletion of \$47,329,960 .....		12,185,118
		<u>\$70,512,622</u>

Approved on behalf of the Board of Directors:

JOHN KOSTUIK, Director.

GEORGE A. DREW, Director.



## LIABILITIES

### Current Liabilities

Accounts payable and accrued charges .....	\$ 1,542,734	
Dividends payable .....	1,293,133	
Provision for Ontario mining tax .....	<u>51,662</u>	\$ 2,887,529

### Shareholders' Equity

#### Capital Stock

##### Authorized:

6,000,000 shares of \$1.00 par value each ..... \$ 6,000,000

##### Issued and fully paid:

4,474,703 shares ..... \$ 4,474,703

Earned surplus ..... 59,560,258

Contributed surplus ..... 3,590,132 \$67,625,093

\$70,512,622

The accompanying notes are an integral part of the  
Consolidated Financial Statements and should be read in conjunction therewith.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. The consolidated financial statements include the accounts of all subsidiary companies and the results of their operations for the year, except that the results of operations of a subsidiary sold during the year are included only for the control period and the accounts of Lake Ontario Cement Limited (partly owned) and its subsidiaries are excluded. The investment in shares of Lake Ontario Cement Limited is stated in the consolidated balance sheet at cost plus the company's share of consolidated earnings of such subsidiary since control was acquired, which share, insofar as it relates to the current year, is included in the consolidated statement of operations. In the company's view, this method provides the most effective form of presentation of its financial condition.
2. Supplies are valued at cost except that inactive materials are at estimated realizable value.
3. Mortgages and other secured loans due within one year are included in current assets except for the sum of \$4,630,994 owing by or guaranteed by a director. The company (through a subsidiary) holds an option to purchase a sand and gravel deposit located near Paris, France the consideration for which may be satisfied in whole or in part by the application, after obtaining the necessary French exchange control approval, of any amounts owing by or guaranteed by such director at the date of exercise of the option.
4. Plant and equipment at the company's mine properties, acquired prior to December 31, 1964, was written off in prior years. Petroleum and natural gas lease acquisition costs and development expenditures are amortized on the unit of production method based on estimated reserves. Depreciation of all other plant and equipment of the companies is such as to allow for write-off over their estimated useful lives.
5. Provision for Ontario mining tax has been made in this and prior years in accordance with the bases on which the company was assessed for 1963 and prior years. It is possible that a reduction of such provision for tax may result from current procedures before the Ontario Municipal Board.
6. The company has received a notice of re-assessment which claims Federal income tax for the year 1961 in the amount of \$2,391,245, plus interest. The principal item in dispute is the disallowance by the tax authorities of expenditures in respect of main haulageways or similar underground works which were capitalized by the company for tax purposes only. In the opinion of tax counsel such disallowance in the re-assessment is unfounded in law and notice of objection contesting the amount claimed has been filed. The same issue is applicable to certain years subsequent to 1961, but the liability for income taxes, if any, in respect of such years is indeterminate pending settlement of the 1961 re-assessment. It is estimated, however, that there is no liability for income taxes for the current year because of deductions available for tax purposes.
7. The company has guaranteed payment of the liability of a wholly-owned subsidiary as endorser of a promissory note in the amount of \$950,000 of a borrower and holds as security a debenture constituting a first mortgage and floating charge on the assets of the borrower.
8. The company is the defendant in an action commenced in the Supreme Court of Ontario in which a royalty of \$750,000 is claimed under an agreement to which one of the companies which amalgamated as the company was a party. The company denied any liability in respect of this claim and after the trial of the action judgment was given in favour of the company. The plaintiff's appeal of this judgment has not yet been heard.
9. The company is one of the defendants in two actions commenced in the United States (one in the Federal court and one in the New York State court) arising out of the sale of the company's investment in General Baking Company in which actions a claim for \$2,000,000 (U.S.) out of the sale price is made on behalf of all other stockholders. The company moved in both courts to dismiss such actions as against the company for lack of jurisdiction. In the Federal court the motion was granted but the plaintiff was granted leave to amend his complaint and has done so. The company intends to move to dismiss the amended complaint for lack of jurisdiction and in the opinion of counsel for the company there are good grounds for such motion. In the State court the motion to dismiss was granted but the plaintiff has appealed. In the opinion of counsel for the company the appeal should not be successful.
10. Included in revenue from investments is interest of \$48,198 from an unconsolidated subsidiary and net gain on security transactions of which \$1,844,184 is gain realized from the sale of investment in shares of other companies.



